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January 29, 1951

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

SUBJECT: East-West Trade

REFERENCE: NSC 91/1 [REDACTED] 25X1A9a
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At the request of the Secretary of State the enclosed memorandum report of progress in export control negotiations, prepared by the Department of State with reference to paragraph 2 (f) of NSC 91/1 on the subject, is circulated herewith for the information of the National Security Council.

S. EVERETT GLEASON
Acting Executive Secretary

cc: The Secretary of the Treasury
The Secretary of Commerce
The Director of Defense Mobilization
The Economic Cooperation Administrator

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~~SECRET~~MemorandumREPORT OF PROGRESS IN EXPORT CONTROL NEGOTIATIONS
(As of January 8, 1951)

- References: a) NSC Action No. 347(a), August 24, 1950
b) NSC 91/1, November 17, 1950
c) Progress Report on Foreign Ministers Conference, New York, September 19, 1950*

Current Status of Negotiations

The Foreign Ministers of the United Kingdom, France and the United States, meeting at New York on September 19, 1950, agreed that the international program for security export controls should be reviewed on a tripartite basis with a view to obtaining a larger measure of common agreement on the kinds of goods to be controlled for shipment to the Soviet bloc and on the types of control to be exercised. At their direction, delegations of the three Governments met in London on October 18.

As a consequence of discussions lasting one month, the Governments of Great Britain and France agreed to extend their export controls without delay to cover a much larger number of industrial and related goods of strategic importance. If similar action is taken by other nations participating in the Consultative Group, the international export control lists will cover more than twice the number of items formerly listed. The embargo list, which was already extensive, will be increased by more than 50 percent and will cover many of our 1-B items as well as almost all of our 1-A items.

At a meeting of the Consultative Group in Paris on November 23, the three Governments jointly proposed that these additional controls be adopted by the other Western European countries in the group. Formal action accepting the controls will be taken at the next meeting of the Consultative Group on January 16, 1951. Information available to date indicates that there may have to be further discussion in the Coordinating Committee concerning about 10 percent of the items proposed for control but that the remainder will be adopted immediately. A further report will be submitted to NSC members when complete results are known.

On January 5 the additional lists of items proposed for control as a result of the London meetings were transmitted to the Governments of Sweden and Switzerland by the U.S., U.K., and French diplomatic missions in Stockholm and Bern. It is expected that there will

*Progress Report, dated October 11, 1950, by the Department of State on "Export Controls and Security Policy", (NSC 69 series; NSC Action No. 347)

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be further meetings by the end of January in order that we may ascertain what specific actions the Swedish and Swiss Governments will take toward adopting controls which parallel those of other Western European countries.

Progress Toward "Parallel Action"

The London discussions were concerned with a total of 318 different items (listings), in more than a dozen industrial categories, and about 80 percent of them were agreed for some form of control. In most cases the degree of control accepted is comparable to, and in some cases it exceeds, that which is called for by the strategic criteria adopted by our Government in establishing the 1-A and 1-B lists. In actual practice the United States has followed a licensing policy more restrictive than required by its own control criteria (for example, embargoing most 1-B items), but if we judge the performance of other countries according to the criteria which we set for ourselves, it is possible to say that "parallel action" has been substantially attained. It would be unrealistic to expect much more from our allies in Western Europe so long as they consider it unwise or premature to carry export controls to the point of stopping all or nearly all trade with the Soviet Union and its satellites.

The results obtained recently in the London and Paris meetings have greatly exceeded those anticipated at the time negotiations commenced. This progress is attributable to several factors: increased recognition of the seriousness of this problem in view of Far Eastern developments, the greater emphasis placed on strategic considerations (as against economic factors) as a result of the agreement reached in New York last September, and the direct participation of military and intelligence advisers during the technical phases of the London tripartite talks. The U.S. Delegation at London included representation from the Departments of State, Defense and Commerce, the Economic Cooperation Administration and the Central Intelligence Agency.

The following paragraphs summarize in greater detail the principal results of the London meetings. Annex A presents a summary in statistical form.

Extension of Control Lists

To the extent that progress can be measured in terms of numbers of items placed under control, without examining the strategic importance and coverage of each individual listing, the following figures show what will be accomplished as soon as other countries adopt the tripartite proposals.

International List I (embargo) will be increased from 185 items to 287 items, or by 55 percent. The U.S. had proposed the embargo

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of 79 1-A items and of 125 1-B items, the latter being the most strategic items on the 1-B list (Group I) which the U.S. de facto embargoes to the Soviet Bloc. According to the 1-B list criteria, however, the strategic importance of these items depends on whether they are exported in significant quantities; and we have not heretofore recommended that other countries completely embargo them, except in those cases where we up-graded a specific item to the 1-A list. In the London meetings the British and French agreed to control most of the additional 1-A items we had proposed -- over one-half were agreed for embargo and all but about 10 of the remaining items were accepted from some degree of control. They also accepted 64 1-B items for complete embargo (one-half of those we proposed) and agreed to less restrictive control over most of the remaining items.

International List II (quantitative control) prior to the London meetings covered 46 items, of which 15 were up-rated to embargo at London. The future international list II will contain 104 listings; i.e., 31 already listed and 73 added as a result of the London meetings. In the short time available at London no attempt was made to reach agreement on the degree of limitation to place on exports of each individual item. Representatives of the ~~three~~ governments are to meet again soon however, probably in January, to make these decisions on the basis of more detailed information, covering trade statistics and intelligence concerning Soviet Bloc needs, which government agencies are now gathering. Until these decisions are made, it has been agreed that exports of these items will not be increased and detailed reports will be submitted concerning past and current shipments.

Agreement was also reached in London to exchange information about exports of a substantial number of additional items of lesser strategic significance -- totalling 69 listings -- and it will be possible to bring items in this category under more restrictive control if the amounts being shipped appear to be excessive or if new information is produced justifying a higher strategic rating. This is a "watch" list, handled in a manner similar at least in theory to the treatment which we accord to a number of the items on our 1-B list (Group III). In the absence of a special listing in this manner, involving a pre-shipment licensing or some similar administrative control, it is generally impossible to obtain the detailed trade statistics which are required to justify trade controls and to supplement our intelligence concerning Soviet Bloc needs.

There are minor differences of opinion between our experts and those of other countries concerning the strategic importance of some items, and some categories of items, with the result that the agreed controls are not in all cases as restrictive as the United States has heretofore requested. In these cases, however, the way remains open for further discussion of the items concerned if we are able to provide more conclusive evidence of the need for stricter controls. In the absence of new or better information, on the other hand, and

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unless changed international conditions demand a drastic shift in policy in this field, the United States is committed to accept the results of the London meetings in good faith and to allow sufficient time to pass to permit an appraisal of the practical results which may be expected from the additional controls agreed in London.

Economic Impact

The possible economic impact of these additional controls was discussed at London in some detail, but none of the recommendations for control was changed on that account. In keeping with the general principles agreed between the Foreign Ministers in New York, the British and French gave full weight to strategic considerations, as they saw them, and considered them overriding. The discussion of economic consequences was generally constructive and forward-looking. It was seen that the additional controls would undoubtedly have an effect on the economies of both Great Britain and France, and that a rather serious impact could be expected if there were a further increase in the items brought under international control. It was therefore agreed that there should be prompt and careful consideration given to the problem of finding alternative sources for essential supplies now being received from the Soviet Bloc and alternative markets for commodities now being exported to the Soviet Bloc. The U.S. representatives gave general assurances of our desire to assist in meeting such problems as may arise but made no specific commitments of any kind.

Goods Needed for Western Defense Programs

With regard to the question of preventing exports to the Soviet Bloc of goods urgently required for Western defense, as directed by the Foreign Ministers at New York, the three delegations at London recognized that the criteria involved (i.e., strategic importance to Western countries) are different from those heretofore applicable to the International Lists (i.e., strategic importance to the Soviet Bloc). It was therefore agreed that this matter should properly be acted upon by other organizations more directly concerned with defense programs and with the control of raw materials and other goods in short supply in the West. Accordingly, the question has been put before the Deputies on the North Atlantic Council. It is expected that as soon as appropriate machinery can be established, controls over shipments to the Soviet Bloc will be extended to deny those items, not already embargoed, which are urgently needed for the Western rearmament effort. In the meantime the British and French Governments are taking action in specific cases to prevent the export of goods needed for their own defense programs.

Annex: Statistical Summary - Tripartite Conversations on Export Control, London, October-November 1950

Department of State
January 8, 1951

TRIPARTITE CONVERSATIONS ON EXPORT CONTROLSLondon, October-November 1950

CATEGORIES	INTL. LISTS (10/24/50)		US PROPOSALS - LONDON					LONDON RESULTS - TRIPARTITE					
	EMB (I)	LIMIT (II)	Add to		for		EXCH INFO.	Add to		for		EXCH. INFO.	With- drawn
			1A	1B	QUANT.	CONTR.		EMBARGO	CONTROL	QUANT.	CONTROL		
1. Metalworking machinery.....	32	2	8	51	1	4	25	21	7	5			
2. Steel mill products.....	8	4	6	4	12	-	6	6	2	8			
3. Chemicals.....	23	13	3	14	19	17	12	15	18	8			
4. Chem. & Petroleum equipment.....	16	3	9	15	2	4	18	10	8	9			
5. Non-ferrous metals.....	13	3	5	3	4	1	7	5	6	2			
6. Transportation equipment.....	6	10	7	6	4	1	3	5	8	2			
7. Petroleum products.....	31	1	1	-	1	-	1	1	-	1			
8. Precision Instr. & electronics.....	33	8	21	16	-	11	22	3	3	22			
9. Rubber and rubber products...	-	-	1	2	2	3	3	4	3	1			
10. Electric power gen. equipment.....	-	-	-	6	-	1	-	1	2	1			
11. Manila & sisal.....	-	-	-	-	2	-	-	-	2	-			

TRIPARTITE CONVERSATIONS ON EXPORT CONTROLS (Cont'd)

<u>CATEGORIES</u>	<u>INTL LISTS</u> (10/24/50)		<u>US PROPOSALS - LONDON</u>				<u>LONDON RESULTS - TRIPARTITE</u>			
	<u>EMB</u> <u>(I)</u>	<u>LIMIT</u> <u>(II)</u>	<u>Add to</u> <u>1A</u>	<u>for</u> <u>1B</u>	<u>EXCH</u> <u>INFO.</u>	<u>Add to</u> <u>EMBARGO</u>	<u>for</u> <u>QUANT.</u>	<u>EXCH.</u> <u>INFO.</u>	<u>With-</u> <u>drawn</u>	
12. Coal Equip- ment.....	-	-	5	-	2	-	-	1	8	
13. Construction & conveying equip...	-	-	2	6	-	-	-	2	4	
14. Marine equipment.....	7	-	-	-	-	-	-	-	-	
15. Miscellaneous.....	16	3	8	2	3	5	2	7	3	
TOTALS	185	47	76	125	47	102	73	69	74	

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